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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
(SAN FRANCISCO DIVISION)

VALENT U.S.A. CORPORATION
and SUMITOMO CHEMICAL CO., LTD.,

Plaintiffs,

V.

SYNGENTA CROP PROTECTION, INC.

Defendant.

CASE NO. 08-CV-0720 VRW

**PLAINTIFFS' RESPONSE TO
SYNGENTA'S MOTION TO DISMISS
THE COMPLAINT**

Hearing Date: June 26, 2008
Hearing Time: 2:30 p.m.
Courtroom: Courtroom 6, 17th floor

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1 **I. INTRODUCTION**

2 The opposing parties in this case are on an imminent and inevitable collision course over the
 3 legality of the plaintiffs' planned U.S. manufacture and sales of the insecticide clothianidin -- precisely
 4 the factual circumstances that create declaratory judgment jurisdiction, according to the U.S. Supreme
 5 Court. In its landmark decision of *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 S.Ct. 764
 6 (2007), the Supreme Court articulated an "all circumstances" legal standard that facilitates and
 7 enhances the availability of declaratory judgment jurisdiction in patent cases. At the same time, the
 8 Supreme Court rejected the Federal Circuit's "reasonable-apprehension-of-suit" test, upon which
 9 Syngenta relies in its motion. According to *MedImmune*, jurisdiction exists upon a showing of a
 10 substantial controversy between the parties having adverse legal interests of sufficient immediacy and
 11 reality to warrant the issuance of a declaratory judgment. Such a controversy exists in this case.

12 As shown in the Declaration of Motoharu Moriya filed herewith, over the past several years,
 13 Valent U.S.A. Corporation and Sumitomo Chemical Company, Ltd. (collectively "Plaintiffs" or
 14 "SCC") have spent millions of dollars preparing for a December 2008 product launch of clothianidin
 15 for treatment of genetically modified plants and their seeds. . Defendant Syngenta Crop Protection,
 16 Inc. ("Syngenta"), the owner of U.S. Patent No. 7,105,469 ("the '469 patent") and its alleged co-
 17 exclusive licensee, Bayer Crop Science AG ("Bayer"), threaten to block Plaintiffs' sales for seed
 18 treatment by asserting the '469 patent, which purports to cover the treatment of genetically engineered
 19 plants and their seeds with clothianidin. During the parties' failed license discussions, Syngenta told
 20 Plaintiffs that it does not want to see any new entrants in the seed treatment business and on two
 21 occasions threatened Plaintiffs with a lawsuit under the '469 patent. These facts establish jurisdiction.

22 Syngenta's motion relies heavily on its speculation that its alleged co-exclusive licensee,
 23 Bayer, might agree to license the '469 patent to Plaintiffs, and thereby eliminate the present
 24 controversy. This speculation not only lacks any evidentiary support, it is also legally irrelevant.
 25 Under *MedImmune*, even if Plaintiffs had a license from Syngenta, they still would have standing to
 26 obtain a declaratory judgment as to the validity of the '469 patent. Moreover, the history of Plaintiffs'
 27 long efforts to engage Syngenta and Bayer in discussions, and Bayer's own statements, belie any
 28 reasonable possibility of consent from Bayer.

1 For these reasons, a substantial controversy in law and fact clearly exists between the parties,
 2 and Syngenta's motion to dismiss should be denied. Plaintiffs are not required to "bet the farm" before
 3 obtaining a judicial determination of their rights to sell clothianidin for treating genetically engineered
 4 plants and their seeds.

5 **II. STATEMENT OF FACTS**

6 **A. Plaintiffs Have Taken Major Steps to Enter the Clothianidin Business**

7 Over the past several years, Plaintiffs have made substantial investments preparatory to making
 8 and selling clothianidin for the treatment of genetically engineered plants and their seeds. Clothianidin
 9 is a commercially important insecticide because of its effectiveness against a wide range of insects.

10 *See Declaration of Motoharu Moriya in Support of Plaintiffs' Response to Syngenta's Motion to*
 11 *Dismiss the Complaint ("Moriya Decl.") at ¶ 7; Complaint ¶¶ 13, 28.* These investments began in 2002
 12 when SCC acquired the agricultural-chemical business of Takeda Pharmaceuticals ("Takeda")
 13 business. Moriya Decl. at ¶ 8; Complaint ¶¶ 22-24. The central focus of this acquisition was Takeda's
 14 U.S. Patent No. 5,034,404 ("the '404 patent"), which claims clothianidin, a compound invented by
 15 Takeda scientists. Moriya Decl. at ¶ 9. Acquisition of the '404 patent removed a significant legal
 16 obstacle to U.S. sales of clothianidin, although sales for seed treatment were delayed by five years due
 17 to a pre-existing exclusive license that Takeda had granted Bayer on the '404 patent for seed
 18 treatment.

19 As part of the acquisition agreement, SCC and Takeda operated a joint venture known as
 20 Sumitomo Chemical Takeda Agro Company ("Sumitake") from November 2002 until November
 21 2007. One of the purposes of Sumitake was to develop clothianidin for seed treatment by conducting
 22 field testing on certain types of crops. Those tests occurred over several growing seasons. In
 23 November 2007, the Sumitake joint venture merged into SCC. Moriya Decl. at ¶ 11, 8.

24 Beginning this December, Plaintiffs will be making clothianidin and offering it for sale in the
 25 United States for use on seeds, including seeds of genetically engineered plants.¹ Moriya Decl. at ¶ 9.

27 ¹ Pursuant to the terms of a pre-existing license agreement between Takeda and Bayer, Bayer
 28 has the exclusive right to sell clothianidin in the U.S. for the treatment of seeds. That exclusive right
 expires in November 2008 with a few exceptions. Moriya Decl. at ¶ 9.

1 surrounding SCC's freedom to operate in view of Syngenta's '469 patent. Moriya Decl. at ¶ 11j.

2 **B. Syngenta Seeks To Prevent SCC's U.S. Clothianidin Sales**

3 The '469 patent issued to Syngenta in September 2006, well after SCC had acquired the '404
 4 patent and launched its testing program. *See* '469 patent, a true and correct copy of which is attached
 5 as Memorandum Exhibit 1. Syngenta claims that it then quickly entered into a co-exclusive license
 6 agreement with Bayer, so that it cannot license SCC under the '469 patent without Bayer's approval.
 7 Moriya Decl. at ¶ 16.

8 The terms of that agreement -- indeed, its very existence -- cannot be confirmed because
 9 Syngenta has steadfastly refused to produce it. But according to Syngenta, both parties to that
 10 agreement (*i.e.*, both Syngenta and Bayer) must agree before licensing another party (*e.g.*, Plaintiffs)
 11 under the '469 patent. April 8, 2008 Email from Puknys to Sherwood, attached as Sherwood Exhibit
 12 2. Thus, either party to that alleged agreement has veto power to preserve the *status quo* and to keep
 13 all others out of the clothianidin seed treatment business -- the business Plaintiffs are now poised to
 14 enter. At present, Syngenta and Bayer control virtually all U.S. sales of clothianidin for seed
 15 treatment, a major portion of which is treatment of the seeds of genetically engineered plants, sales
 16 that exceeded \$161 million in sales in 2006 alone. Moriya Decl. at ¶ 32.

17 **1. SCC's Efforts to Obtain a License Went Nowhere**

18 Syngenta has known of SCC's preparations and intentions to enter the genetically engineered
 19 seed treatment business, a major portion of which is seed treatment for genetically engineered plants,
 20 at least since the parties met in October 2006. At that first meeting, SCC informed Syngenta of its
 21 intentions to enter the seed treatment business and that, in light of those intentions, SCC would be
 22 interested in obtaining a license under Syngenta's '469 patent as an expeditious way to avoid a
 23 potential dispute between the parties. Moriya Decl. at ¶ 15. In doing so, SCC never conceded or
 24 agreed that the '469 patent is valid.

25 At first, Syngenta told SCC that, in light of the alleged co-exclusive license agreement, SCC
 26 needed to contact Bayer and get its consent for a license. Moriya Decl. at ¶ 16. SCC set up a meeting
 27 with Bayer in Germany six days later. But, when SCC arrived in Germany to meet with Bayer, Bayer
 28 told SCC to meet with Syngenta because Syngenta owns the patent. Moriya Decl. at ¶ 17. This

1 see any new entrant in the seed treatment business. Moriya Decl. at ¶ 25. At the same time, Syngenta
 2 again conveyed that it would enforce the '469 patent against SCC if SCC began selling clothianidin on
 3 genetically engineered crops. Moriya Decl. at ¶ 21. And finally, in October 2007, Syngenta told SCC
 4 that it was unable to obtain Bayer's consent and that it had effectively given up trying since the talks
 5 between the top executives did not work. Moriya Decl. ¶ 21.

6 In sum, SCC tried to negotiate with Syngenta in good faith, and with the patience and
 7 perseverance for which successful Japanese companies are known and respected. Eventually, it
 8 became apparent to SCC that Syngenta and its alleged business partner, Bayer, do not want anyone
 9 else, including SCC, in the seed treatment business at all, that there will be no license forthcoming
 10 under the '469 patent and that sales by SCC will be met by a patent infringement lawsuit. Moriya
 11 Decl. at ¶ 25, 24; Complaint ¶¶ 14, 25, 26.³ After having expended so much time, energy and
 12 resources on clothianidin for seed treatment of genetically engineered plants, SCC responded the only
 13 way it could -- it informed Syngenta that it believes the '469 patent is invalid and that it intends to
 14 adjudicate its invalidity.⁴ Moriya Decl. at ¶ 27. Shortly thereafter, Plaintiffs filed this lawsuit.
 15 Unfortunately, SCC is already in the "bet the farm" position because its enduring efforts to negotiate
 16

17 ³ Syngenta asserts that "it is agreeable in principle to granting Sumitomo a license" and that it
 18 has stated a "willingness to grant a patent license." Syngenta Mot. at 2, 10. But the only evidence
 19 Syngenta relies upon for these assertions is SCC's belief, early on during the license discussions
 20 between the parties, that Syngenta was willing to grant a license. *See, e.g.*, Exhibits 8 and 9 to
 Syngenta's Mot. As discussed above, SCC's state of mind with regard to Syngenta's willingness to
 license took a drastic change when Syngenta eventually made clear that it did not want SCC to enter
 the seed treatment business.

21 Notably, Syngenta does not present any evidence that it was willing to grant a license in light
 22 of the facts presented by Plaintiffs. Moreover, if Syngenta did have any such evidence, it was
 23 obligated to present it in its opening brief since Syngenta was on notice of the allegations in Plaintiffs'
 24 complaint that the so-called licensing negotiations were fruitless and futile. Thus, to the extent
 25 Syngenta purports to present any "new" evidence in its reply brief that it could have presented in its
 opening brief, it should be stricken. *See, e.g., Hamilton v. Williams*, 2007 WL 2558615 at *11
 (E.D. Cal. 2007) (citing *Serpa v. SBC Telecommunications, Inc.*, 2004 WL 2002444 at *5, n.4 (N.D.
 Cal. 2004)). Further, this is just one example of Syngenta's failure to cite evidence to support an
 assertion in its opening brief where it was obligated to do so. There are other instances of Syngenta's
 disregard for the rules and for notions of fairness.

26 ⁴ Although Sumitomo has believed from the start that the '469 patent is invalid, it asked for a
 27 license in order to avoid a legal confrontation that could endanger its business plans. When it became
 28 clear that no such license was forthcoming, and that Syngenta was using the '469 patent to keep
 Plaintiffs out of the seed treatment business, Sumitomo was left with no choice but to seek an order
 invalidating the '469 patent.

1 have brought it close to its product launch date without any resolution. The instant motion, if
 2 successful, places Plaintiffs in the unfair position of having to choose between entering the market
 3 with the assurance that an infringement lawsuit will follow, or abandon their plans to sell the product
 4 for seed treatment at all -- exactly what the Supreme Court stated Plaintiffs should not have to do.

5 **2. Syngenta's Alleged Licensee, Bayer, Also Seeks To Keep Plaintiffs Out Of**
 6 **The Clothianidin Seed Treatment Business**

7 During the discussions between SCC and Bayer, it became clear that Bayer was also seeking to
 8 keep SCC out of the seed treatment business and therefore, would not consent to a license under the
 9 '469 patent. For example, Bayer told SCC that it wanted to preserve its co-exclusive license with
 10 Syngenta. Moriya Decl. at ¶ 22.

11 In response, SCC explained to Bayer that it believes that the '469 patent is invalid and that it
 12 will take the necessary steps to have the '469 patent declared invalid. Moriya Decl. at ¶ 27.

13 **III. ARGUMENT**

14 **A. Syngenta's Motion Violates Local Rule 7-5 and Should be Stricken**

15 Under Local Rule 7-5, “[f]actual contentions made in support of . . . any motion must be
 16 supported by . . . appropriate references to the record.” As discussed above, Syngenta’s motion
 17 contains numerous references to an alleged co-exclusive license with Bayer. See Syngenta Motion at
 18 2-4, 6, 8, and 10. For example, Syngenta asserts that it must have Bayer’s consent in order to grant
 19 Plaintiffs a license under the ‘469 patent. However, Syngenta does not prove the existence or contents
 20 of the alleged agreement to support this assertion, as it is required to do under Local Rule 7-5. See
 21 *Beverly v. Network Solutions, Inc.*, 1998 WL 917526 at *5, 1998 U.S. Dist. LEXIS 20453 at *13, 49
 22 U.S.P.Q.2d 1567 (N. D. Cal. 1998) (“Unsworn statements appearing in the body of a motion or
 23 supporting memorandum cannot be considered as evidence.”). Thus, at best, Syngenta’s assertions are
 24 nothing more than attorney argument and are not evidence in support of its motion.

25 Plaintiffs gave Syngenta an opportunity to cure this defect, but Syngenta refused. After
 26 Syngenta filed its motion, Plaintiffs requested a copy of this alleged co-exclusive license with Bayer.
 27 See April 2, 2008 letter from Sherwood to Puknys, attached as Sherwood Exhibit 1. Syngenta
 28 responded by asserting that it was not “at liberty to provide that agreement” to Plaintiffs “in the

1 absence of a protective order.” *See* April 8, 2008 Email from Puknys to Sherwood, attached as Exhibit
 2. Plaintiffs then offered to negotiate a protective order to address any possible confidentiality issues.
 3 *See* April 10, 2008 Letter from Sherwood to Puknys, attached as Sherwood Exhibit 3. Syngenta again
 4 rejected Plaintiffs offer. *See* April 22, 2008 Letter from McCurdy to Sherwood, attached as Sherwood
 5 Exhibit 4. Thus, since Syngenta’s motion does not comply with Local Rule 7-5 and since Syngenta
 6 has failed to cure this defect after being given opportunities to do so, its motion should be stricken.

7 Upon striking the motion and accepting SCC’s well pleaded allegations, the Court can readily
 8 satisfy itself as to jurisdiction, as it is readily apparent that jurisdiction exists based on those
 9 allegations.

10 **B. Legal Standards Governing Motions to Dismiss**

11 When the complaint is challenged for lack of subject matter jurisdiction under FED. R. Civ. P.
 12(b)(1), all material allegations in the complaint will be taken as true and construed in the light most
 13 favorable to plaintiff. *Jiang v. Chertoff*, 2008 WL 1899245 at *1 (N.D. Cal. April 28, 2008) (citing *NL*
 14 *Indus. v. Kaplan*, 792 F.2d 896, 898 (9th Cir.1986)). That is the standard that applies to resolution of
 15 this motion and Syngenta’s challenge to the Court’s jurisdiction.

16 Syngenta also asserted that its motion arises under FED. R. Civ. P. 12(b)(6). A similar standard
 17 applies to that argument. In deciding a motion under FED. R. Civ. P. 12(b)(6), Courts look to FED. R.
 18 Civ. P. 8(a) as the standard for whether a cognizable claim exists. *Chaganti v. I2 Phone Int’l, Inc.*,
 19 2005 WL 679664 at *1 (N.D. Cal. 2005) (citing *Scheid v. Fanny Farmer Candy Shops, Inc.*, 859 F.2d
 20 434, 436 (6th Cir.1988)). Rule 8(a) states that a plaintiff’s pleadings must contain a “short and plain
 21 statement of the claim showing that the pleader is entitled to relief.” This standard is a liberal one that
 22 does not require a plaintiff to set forth all the factual details of the claim; rather, all that the standard
 23 requires is that a plaintiff give the defendant fair notice of the claim and the grounds for making that
 24 claim. *Chaganti* (citing *Leatherman v. Tarrant County Narcotics Intell & Coord Unit*, 507 U.S. 163,
 25 168, 113 S.Ct. 1160, 122 L.Ed.2d 517 (1993)). To this end, a plaintiff’s complaint should set forth
 26 “either direct or inferential allegations with respect to all the material elements of the claim.” *Chaganti*
 27 (citing *Wittstock v. Van Sile, Inc.*, 330 F.3d 899, 902 (6th Cir.2003)).

28 Under Rule 12(b)(6), a complaint “should not be dismissed for failure to state a claim unless it

1 appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would
 2 entitle him to relief." *Chaganti* (citing *Hughes v. Rowe*, 449 U.S. 5, 10, 101 S.Ct. 173, 66 L.Ed.2d 163
 3 (1980)); see also *Conley*, 355 U.S. at 45-46. Further, all material allegations in the complaint must be
 4 taken as true and construed in the light most favorable to plaintiff. *Chaganti* (citing *In re Silicon
 5 Graphics Inc. Sec Litig.*, 183 F.3d 970, 980 n10 (9th Cir 1999)).

6 **C. Syngenta's Motion Should Be Denied Because Declaratory Judgment Jurisdiction
 7 Clearly Exists**

8 If the Court decides that it will not strike Syngenta's motion for failure to comply with Local
 9 Rule 7-5, Syngenta's motion should, nonetheless, be denied since the facts of this case, as set forth in
 10 Plaintiffs' Complaint and in the Moriya Declaration, clearly and overwhelmingly establish that
 11 declaratory judgment jurisdiction exists.

12 **1. Legal Standard For Declaratory Judgment Jurisdiction**

13 In 2007, the Supreme Court clarified the standard for establishing declaratory judgment
 14 jurisdiction in patent cases when it decided *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).
 15 *MedImmune* creates a more lenient legal standard that actually facilitates and enhances the
 16 availability of declaratory judgment jurisdiction in patent cases. *Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 902 (Fed. Cir. 2008) (emphasis added).

17 In *MedImmune*, the Supreme Court rejected the Federal Circuit's "reasonable-apprehension-of-suit" test in favor of an "all the circumstances" test. In order to establish declaratory judgment jurisdiction, a plaintiff need only prove that "the facts alleged, under all the circumstances, show that there is a substantial controversy between the parties having adverse legal interests of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *MedImmune*, 127 S.Ct. at 771 (emphasis added); *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1378 (Fed. Cir. 2007); *Teva Pharms. USA, Inc. v. Novartis Pharms. Corp.*, 482 F.3d 1330, 1338 (Fed. Cir. 2007). A patentee's threats to sue are considered as part of "all the circumstances" in determining whether a substantial controversy exists between the parties. *Micron*, 518 F.3d at 901, but they are not a prerequisite to finding declaratory judgment jurisdiction.

18 *MedImmune* also recognized that a company should not be placed in the position of either

1 refraining to undertake activity which it believes it is legally entitled to undertake, or undertaking that
 2 activity with the threat of liability for its action. “The declaratory judgment procedure is an alternative
 3 to pursuit of the arguably illegal activity”; it does not require “that the plaintiff bet the farm, so to
 4 speak, by taking the violative action.” *MedImmune*, 127 S. Ct. at 772.

5 The Federal Circuit has written on this rule of law as well. First, in interpreting *MedImmune*,
 6 the Federal Circuit stated “[w]here a patentee asserts rights under a patent based on certain identified
 7 ongoing or planned activity of another party, and where that party contends that it has the right to
 8 engage in the accused activity without license, an Article III case or controversy will arise and the
 9 party need not risk a suit for infringement by engaging in the identified activity before seeking a
 10 declaration of its legal rights.” *SanDisk*, 480 F.3d at 1381 (emphasis added). The Federal Circuit has
 11 also explained that parties have “adverse legal interests” when there is an “underlying legal cause of
 12 action that the declaratory defendant could have brought or threatened to bring, if not for the fact that
 13 the declaratory plaintiff has preempted it.” *Microchip Tech., Inc. v. Chamberlain Group, Inc.*, 441
 14 F.3d 936, 943 (Fed. Cir. 2006).

15 Second, the Federal Circuit clarified the meaning of immediacy and reality when applying this
 16 test. *CAT Tech LLC v. TubeMaster, Inc.*, --- F.3d ---, 2008 WL 2188049 at *6, 2008 U.S. App. LEXIS
 17 11377 at *16 (Fed. Cir. May 28, 2008). A dispute is “immediate” where the declaratory judgment
 18 plaintiff has taken significant, concrete steps to conduct alleged infringing activity. *CAT Tech*, 2008
 19 WL 2188049 at *7, 1998 U.S. App. LEXIS 11377 at *19, even though the party is not engaged in the
 20 actual manufacture or sale of the potentially infringing product. *Id.*, 2008 WL 2188049 at *7, 1998
 21 U.S. App. LEXIS 11377 at *20 (“a showing of ‘meaningful preparation’ for making or using that
 22 product” is required). With regard to “reality,” the Federal Circuit stated that “[i]n the context of
 23 patent litigation, the reality requirement is often related to the extent to which the technology in
 24 question is ‘substantially fixed’ as opposed to ‘fluid and indeterminate’ at the time declaratory
 25 judgment is sought. *Id.*; 2008 WL 2188049 at *8, 1998 U.S. App. LEXIS 11377 at *24.

26 Finally, in *Micron*, the Federal Circuit reiterated the Supreme Court’s “bet the farm” analysis,
 27 stating that “[t]he purpose of the Declaratory Judgment Act . . . in patent cases is to provide the
 28 allegedly infringing party relief from uncertainty and delay regarding its legal rights.” *Micron Tech.*,

1 *Inc. v. Mosaid Techs., Inc.*, 518 F.3d at 902.

2 **2. Based On “All The Circumstances” There Is No Question That A
3 Substantial Controversy Exists Between The Parties**

4 **a. A Substantial Controversy Exists**

5 First, as described above, there is an “underlying legal cause of action that the declaratory
6 defendant could have brought or threatened to bring, if not for the fact that the declaratory plaintiff has
7 preempted it,” and thus the party’s have “adverse legal interests.” *Microchip Tech.*, 441 F.3d at 943.
8 For example, Syngenta could bring an action for patent infringement against Plaintiffs for their
9 ongoing testing of clothianidin to treat genetically engineered plants and their seeds. Syngenta has
10 also threatened Plaintiffs with a patent infringement lawsuit if they sell clothianidin in connection with
11 treating genetically engineered plants and their seeds.

12 Further, the fact that the parties substantially disagree as to the legality of the Plaintiffs’
13 manufacture and planned U.S. sales of the insecticide clothianidin for the treatment of genetically
14 engineered plants and their seeds has created adverse legal interests between the parties. Syngenta has
15 demonstrated its legal interest in preserving the validity of the ‘469 patent and its ability to assert that
16 patent against SCC by twice threatening to sue for infringement if SCC undertakes U.S. sales of
17 clothianidin for treatment of genetically engineered plants and their seeds. Moriya Decl. at ¶ 21, 23.
18 Such sales by SCC would compete against Syngenta’s sales of its product, thiamethoxam, which is
19 presumably one reason why Syngenta seeks to block SCC from the seed treatment business. Moriya
20 Decl. at ¶ 13. According to Syngenta, it has licensed this patent to Bayer and enjoys a revenue stream
21 from that license agreement. Clothianidin sales by SCC would reduce Bayer’s sales and consequently,
22 Syngenta’s royalty revenue from Bayer. If the ‘469 patent is declared invalid, Syngenta will be unable
23 to assert it against SCC and prevent U.S. sales by SCC of clothianidin on genetically engineered plants
24 and their seeds, and Syngenta could lose the benefit of its royalty revenue from Bayer because most
25 license agreements provide that a subsequent declaration of invalidity excuses any further duty to pay
26 a royalty.⁵ Syngenta’s legal interests therefore strongly favor preservation of the patent’s validity.

27 ⁵ SCC cannot offer any evidence on this point because Syngenta has refused to produce the
28 agreement and resists any effort to initiate discovery, even though Syngenta relies upon the agreement
 to support its motion.

1 SCC, on the other hand, has already invested millions of dollars and years of effort to be able
 2 to sell clothianidin lawfully for treatment of seeds and crops, including genetically engineered seeds
 3 and crops. Much of this investment occurred prior to issuance of the ‘469 patent. After issuance of
 4 the patent, SCC analyzed it and determined that it is invalid. Despite this determination, however,
 5 SCC attempted to negotiate with Syngenta regarding a possible license whose terms would reflect
 6 SCC’s views as to the validity of the patent. SCC’s efforts, including even learning Syngenta’s
 7 possible terms, were entirely unsuccessful. The record is clear that neither Syngenta nor its co-
 8 exclusive licensee Bayer wish to license SCC (and thus to permit sales by SCC) and that further efforts
 9 to discuss would be futile. SCC’s legal interests strongly favor a legal determination that the ‘469
 10 patent is invalid so that SCC may have a financial return on its purchase of Takeda’s clothianidin
 11 business and on its subsequent investment in clothianidin product development, marketing and sales.

12 All of these circumstances show a substantial controversy of the parties involving adverse legal
 13 interests within the meaning of *MedImmune*.

14 Applying the Federal Circuit’s description of the controversy requirement, it would also be
 15 met: (1) a patentee (Syngenta) is asserting its rights (through its threats of suit and its insistence that
 16 SCC needs a license) based on (2) certain identified ongoing or planned activity of another party (all
 17 of SCC’s ongoing and planned business activities to sell clothianidin for genetically engineered seed
 18 treatment as described in the Moriya Declaration) (3) where that party contends that it has the right to
 19 engage in the accused activity without a license (just as SCC contends that no license is needed under
 20 the ‘469 patent since it is invalid).

21 **b. This Controversy is Immediate and Real**

22 According to *MedImmune* and *SanDisk*, the controversy must be immediate and real. Both of
 23 those elements are present here because the plaintiffs have taken defined and concrete steps to conduct
 24 potentially infringing activity with a well defined specific product. *CAT Tech*, 2008 WL 2188049 at
 25 *7.

26 The Federal Circuit, in *CAT Tech*, described both of these elements. For immediacy, the court
 27 wrote that “a party need not have engaged in the actual manufacture or sale of a potentially infringing
 28 product to obtain a declaratory judgment of non-infringement, if there is a showing of ‘meaningful

1 preparation' for making or using that product." *Id.* at *7.

2 There can be no doubt of SCC's meaningful preparation. Over the past several years SCC has
 3 made substantial investments to enter the Clothianidin Insecticide business, including i) payment of a
 4 substantial amount of money in 2002 to acquire Takeda's agricultural-chemical business and the '404
 5 patent, which covers the use of clothianidin, in general (*supra* at II.A.); ii) the formation of a joint
 6 development group, Sumitake, to develop clothianidin foliar and seed treatment sales and to conduct
 7 field testing (2005-present) in several different locations throughout the U.S. at a cost of several
 8 million dollars, (*supra* at II.A.); iii) the application for trademark protection for the seed treatment
 9 products it intends to sell; iv) the preparation and submission of a pesticide registration with the
 10 E.P.A., as well as in 10 states for use of clothianidin on plants and seeds, including genetically
 11 engineered plants and seeds (*supra* at II.A.); v) the contracting with business partners, including
 12 Helena Industries, Inc., to make two clothianidin products that will be sold to treat genetically
 13 engineered seeds and crops (*supra* at II.A.); and vi) meetings with at least ten potential customers for
 14 its Clothianidin seed treatment business. Moreover, SCC will begin making clothianidin and offering
 15 it for treatment of genetically engineered plants and seeds for sale in less than six months.

16 Not only have Plaintiffs been engaged in extensive preparations to enter the seed treatment
 17 business for the past several years, but also for the past 3 years, that preparation has included actually
 18 using clothianidin to treat genetically engineered plants and their seeds. To borrow the Supreme
 19 Court's phrasing, SCC has already "bet the farm" through its testing program, which further
 20 demonstrates that this controversy is ripe for resolution by declaratory judgment. All of these
 21 activities, past and ongoing, easily satisfy the requirement of meaningful preparation and thus, the
 22 "immediacy" requirement is clearly met.

23 With regard to "reality," the Federal Circuit, in *CAT Tech*, stated that "[i]n the context of patent
 24 litigation, the reality requirement is often related to the extent to which the technology in question is
 25 'substantially fixed' as opposed to 'fluid and indeterminate' at the time declaratory judgment is
 26 sought. Accordingly, '[t]he greater the variability of the subject of a declaratory-judgment suit,
 27 particularly as to its potentially infringing features, the greater the chance that the court's judgment
 28 will be purely advisory, detached from the eventual, actual content of that subject – in short, detached

1 from eventual reality.”” *Id.* at *8.

2 This variability is not present here. SCC’s field testing was designed to determine the proper
 3 concentrations and formulations of clothianidin for use on genetically engineered plants and their
 4 seeds for insect control under different planting conditions. The chemical nature of clothianidin itself,
 5 the product being used on genetically engineered plants or their seeds for insect control, which use is
 6 allegedly infringing, is absolutely fixed. This same chemical has been used in every one of SCC’s
 7 field tests and will be present in every product whose use is at issue in this case. The Court’s
 8 judgment in this case therefore would not be purely advisory or detached from reality because it would
 9 be a judgment on the very same chemical ingredient that SCC has manufactured and used already and
 10 will be making and offering for sale for use in a potentially infringing manner within a matter of
 11 months. Moriya Decl. at ¶ 9.

12 Thus, the products involved are substantially fixed and there is nothing fluid or indeterminate
 13 about them. As a result, the Federal Circuit’s “reality” test is clearly met.

14 **c. Syngenta’s Arguments are Without Factual or Legal Merit**

15 Syngenta asserts that there is no jurisdiction because Syngenta “has expressed a willingness to
 16 license” SCC under the ‘469 patent. Syngenta Mot. at 8. But even if this were true -- and it is not (*see*
 17 *supra* at n.3) -- this assertion is legally irrelevant since the Federal Circuit has already stated that it
 18 “reject[s] the [defendant’s] suggestion that there can be no jurisdiction in the courts because it was at
 19 all times willing to negotiate a ‘business resolution’ to the dispute.” *Sony Elecs., Inc. v. Guardian*
 20 *Media Techs., Ltd.*, 497 F.3d 1271, 1286 (Fed. Cir. 2007). In *SanDisk*, the court recognized that a
 21 patentee’s apparent continued willingness to engage in licensing negotiations does not prevent a
 22 plaintiff from maintaining a declaratory judgment suit.” *Id.* at 1286. The Federal Circuit also stated
 23 that “even if the parties’ interactions in this case could be characterized as ‘negotiations,’ [the
 24 declaratory judgment plaintiff] was within its rights to terminate them when it determined that further
 25 negotiations would be unproductive.” *Id.* And in *MedImmune*, the Supreme Court found jurisdiction
 26 even though the patentee had already licensed the alleged infringer. *MedImmune*, 127 S.Ct. at 777.
 27 Syngenta’s “willingness to license” argument thus has no legal merit.

28 Syngenta also wrongly asserts, without any evidence, that it “never, in fact, charged Plaintiffs

1 with infringing the ‘469 patent.’’ Syngenta Mot. at 6. The only record evidence shows that on two
 2 separate occasions, June 12, 2007 and July 31, 2007, Syngenta threatened Plaintiffs with a lawsuit
 3 under the ‘469 patent. *See supra* at II.B.1. In its brief, Syngenta attempts to equate its specific threats
 4 with the generalized public statement of patent enforcement in “press releases” and “industry
 5 meetings” made in *BridgeLux, Inc. v. Cree*, 2007 WL 2022024, 2007 U.S. Dist. LEXIS 53137 (N.D.
 6 Cal. 2007). Syngenta Mot. at 7. But Syngenta was not making any such generalized public statements
 7 when it threatened Plaintiffs on those two occasions. Rather, Syngenta told Plaintiffs directly in
 8 business meetings and correspondence between the two companies that it would enforce the ‘469
 9 patent against the Plaintiffs for sales of clothianidin to treat genetically engineered plants and their
 10 seeds and, later, that Plaintiffs could not use clothianidin on genetically engineered plants and their
 11 seeds without being sued for patent infringement.

12 Syngenta also asserts that it “has not engaged in a ‘course of conduct that shows a
 13 preparedness and willingness to enforce its patent rights.’’ Syngenta Mot. at 9. But, as discussed
 14 above, the only record evidence on this point refutes Syngenta’s statements. In addition to the threats
 15 it made to SCC, Syngenta had allegedly already licensed its ‘469 patent to Bayer for a substantial sum
 16 of money. Moriya Decl. at ¶ 24. Also, Syngenta finally admitted – after stringing Plaintiffs along for
 17 months on end -- that it did not want to see any other entrants in the seed treatment business. In view
 18 of all these facts, SCC believes that Syngenta could sue Plaintiffs once they begin making clothianidin
 19 and offering it for sale on genetically engineered plants or their seeds. Moreover, in *Caraco Pharm.*
 20 *Labs., Inc. v. Forest Labs., Inc.*, --- F.3d ---, 2008 WL 850330 (Fed. Cir. 2008), the Federal Circuit
 21 found declaratory judgment jurisdiction despite the defendant’s covenant not to sue the plaintiff,
 22 which obviously eliminated all risk of suit. Caraco, 2008 WL 850330 at *14. If jurisdiction existed in
 23 *Caraco*, it exists *a fortiori* in this case where Syngenta’s conduct shows an intent to sue. As a result,
 24 this Syngenta argument also lacks factual or legal merit.

25 To the extent Syngenta seeks to distinguish its conduct from the conduct of patentees in certain
 26 other cases (e.g., where the patentee sent a claim infringement analysis, etc. to the plaintiff), those
 27 arguments are unpersuasive because the Supreme Court found declaratory judgment jurisdiction
 28 *without* such specific actions taken by the patentee, and even though the plaintiff had a license under

1 the patent it was then seeking to challenge. *MedImmune*, 127 S. Ct. at 777; *see also* Caraco, 2008 WL
 2 850330 at *14 (declaratory judgment jurisdiction exists despite covenant not to sue).

3 Syngenta also argues that Bayer may consent to a license for Plaintiffs, thereby eliminating any
 4 controversy. This argument lacks both legal and factual merit. First, there is no competent evidence
 5 that Bayer's consent is needed to grant a license under the '469 patent. Second, even if such evidence
 6 did exist, Bayer made perfectly clear to SCC that it would not give its consent to a license. *Supra* at
 7 II.B.2. Furthermore, Syngenta never responded to SCC's proposed license terms, after having asked
 8 for them, so it is entirely uncertain whether a satisfactory license could be negotiated with Syngenta,
 9 the patent owner, even if Bayer did consent. And finally, *MedImmune* teaches that subject matter
 10 jurisdiction would exist even if SCC received such a license from Syngenta and Bayer.

11 The Bayer argument is a red herring. Syngenta is the assignee of the '469 patent, and it is the
 12 proper defendant and respondent to this action. Should discovery reveal that Bayer is a party with
 13 substantial rights who should be joined in this action, Plaintiffs will move to amend their complaint
 14 and name Bayer as an additional defendant. But that does not change the fact that declaratory
 15 judgment exists on these facts and that there is a substantial controversy between Plaintiffs and
 16 Syngenta. Thus, Plaintiffs can maintain this lawsuit so as to seek relief from uncertainty and further
 17 delay regarding their legal rights. *Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 902 (Fed.
 18 Cir. Feb. 29, 2008).

19 **3. The Court Should Exercise Its Declaratory Judgment Jurisdiction**

20 As the Federal Circuit stated, "when there is an actual controversy and a declaratory judgment
 21 would settle the legal relations in dispute and afford relief from uncertainty or insecurity, in the usual
 22 circumstance the declaratory judgment is not subject to dismissal." *SanDisk*, 480 F.3d at 1383. If a
 23 court chooses not to adjudicate an actual case of controversy, "the exercise of discretion must be
 24 supported by a sound basis for refusing to adjudicate an actual controversy." *Id.*

25 As discussed above, Plaintiffs have taken every reasonable step in order to resolve this
 26 controversy without resort to the courts. However, they cannot resolve the dispute on their own and
 27 therefore, after more than 15 months of delay, deceit and fruitless discussions, Plaintiffs find
 28 themselves needing the Court's declaration that the '469 patent is invalid.

1 **IV. CONCLUSION**

2 SCC wasted almost one year trying to negotiate a license for a patent that it has never believed
3 to be valid. Syngenta and Bayer abused this good faith, delaying any meaningful response in a
4 calculated effort to exclude SCC from selling clothianidin for seed treatment. The instant motion by
5 Syngenta continues those tactics; not only do the facts fully support such jurisdiction, but every legal
6 argument that Syngenta offers has been explicitly rejected by recent Supreme Court and Federal
7 Circuit decisions. And notably, Syngenta offered virtually no relevant evidence to support any of its
8 arguments. Only one conclusion can be drawn from the Syngenta filing – it was a deliberate attempt
9 to further delay resolution of this case, not a sincere, evidence-based challenge to SCC's theory of
10 jurisdiction that relied upon current principles of declaratory judgment jurisdiction.

11 For all the foregoing reasons, Syngenta's motion should be denied.

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